

NEW JERSEY ADMINISTRATIVE CODE

SUBCHAPTER 2. BUDGETS

5:31-2.1 Annual budget preparation and content

- (a) Every authority as herein defined shall prepare an annual budget for each fiscal year in which an expenditure of money is expected.
- (b) The budget shall comply with the terms of any security agreement and be prepared in compliance with these regulations.
- (c) The total budget appropriations shall not exceed total anticipated revenues reasonably expected to be realized.
- (d) Every budget shall be prefaced by a narrative explanation of its contents, entitled "budget message." Content of the budget message shall be prescribed by the Director.
- (e) Signatures required on all budget documents, budget amendments and information supporting the budget shall be hand-written signatures.
- (f) Annual budgets, capital budgets and capital programs shall be prepared on standard forms provided by the Division as promulgated by the Local Finance Board.
- (g) Operating appropriations shall be classified as to "salaries and wages" and "other expenses."
- (h) All introduced budgets, adopted budgets and budget amendments shall contain the recorded vote of the governing body.

Amended by R.1985 d.511, effective October 21, 1985.

5:31-2.2 Capital budget and capital program

- (a) Every authority shall prepare and adopt a capital budget, in conjunction with its annual budget, for any year in which it proposes to undertake a capital project.
- (b) No authority shall adopt a security agreement unless its provisions are in agreement with a previously adopted capital budget, temporary capital budget or amended capital budget.
- (c) Every authority which adopts a capital budget shall also adopt a capital program or modify or add a year to an existing capital program, provided that no capital program shall be required if the authority has not expended more than \$25,000

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annually for capital projects for the immediate previous three years. The capital program shall be submitted to the Director with the capital budget.

- (d) Any capital budget or capital program that is to be adopted shall:
 - 1. Be prepared and assembled by the officer(s) responsible for preparing the annual budget;
 - 2. Be adopted by the affirmative vote of a majority of the full membership of the governing body;
 - 3. Be treated as part of the official annual budget;
 - 4. The capital budget shall include by title all projects scheduled for startup in the current budget year, the amounts appropriated and the anticipated financing by source and amount. The capital program period shall include the budget year and five succeeding years;
- (e) The Director shall, as part of his review of each authority annual budget, determine whether a capital budget and program are required, and if so, whether it has been included in proper form. The review shall not extend to any determination as to the sufficiency or wisdom of its content. Failure to properly submit the capital budget and program may delay approval of the entire annual budget.
- (f) Except for the cost of preliminary plans, specifications and estimates, no authority shall make appropriations, authorize expenditures or adopt a security agreement for a capital project unless its provisions are in agreement with a previously adopted capital budget, temporary capital budget or amended capital budget.

Amended by R.1985 d.511, effective October 21, 1985.

5:31-2.3 Budget introduction and adoption for other than special districts

- (a) The governing body shall introduce and approve its annual budget by resolution, passed by not less than a majority of the full membership.
- (b) The budget shall set forth all the anticipated revenues of the authority, including the following, where applicable:
 - 1. Retained earnings (fund balance) which shall not exceed the amount of working capital reduced by unrestricted assets not ordinarily convertible into cash; or the estimated year end balance of unreserved retained earnings; whichever is the lower.
 - 2. Rents, fees and other charges which are reasonably expected to be realized from users of facilities and/or services provided by the authority;

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3. Amounts expected to be received from local unit or units pursuant to financing agreements with respect to use, services, or provisions of a project, facility or public improvement of an authority or payments for debt service therefore;
 4. Interest on investments and deposits (investments, certificates of deposit, savings accounts, etc.) held for operating purposes as opposed to other purposes;
 5. Other income, consisting of amounts reasonably expected to be collected from regular and recurring sources;
 6. Amounts reasonably expected to be collected from unrestricted grants which may be used to finance budget appropriations;
 7. Total anticipated revenues.
- (c) The budget shall set forth all of the appropriations of the authority including the following, where applicable.
1. Administrative and operating expenses including maintenance and repair of facilities and improvements;
 2. Provision for bond principal maturing during the budget year;
 3. Provision for note principal maturing during the budget year;
 4. Provision for future plant reconstruction and replacement, consisting of amounts determined by management to provide a reserve fund for future fund for future plant reconstruction and replacement;
 5. Contribution to the Public Employees' Retirement System;
 6. Contribution to the Social Security System;
 7. Contribution to the Unemployment Compensation Insurance fund;
 8. Addition to the Renewal and Replacement Account;
 9. Provision for interest accruing during the fiscal year on debt issued and outstanding;
 10. Provision for deficit of the preceding fiscal year and anticipated deficit of the current fiscal year;
 11. Provision for amortization of intangible assets.
 12. Provision for uncollectible accounts.
 13. Capital outlay for property, plant and equipment acquisitions expected to be paid from the operating budget.
 14. Total appropriations.

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- (d) The authority shall transmit three certified copies of the budget, to the Director at least 60 days prior to the end of the current fiscal year, together with all relevant information and documentation as prescribed in these regulations or as otherwise may be required by the Director.
- (e) The following information and documentation shall accompany the budget:
 - 1. A computation of the projected balance of retained earnings;
 - 2. The schedule of rates, fees and charges in effect or proposed and computation of revenue reasonably expected to be realized;
 - 3. A computation of the budgeted provision for doubtful accounts, including the method utilized and the percentage to billings, compared with the most recent moving average of uncollectible accounts to billings.
 - 4. A computation of the amount of the budgeted provision for future plant reconstruction or replacement.
 - 5. Summary of applicable provisions of service agreements and computation of amount due from each local unit and total amount due under such provisions;
 - 6. Computation or explanation of amounts expected to be realized from other sources accompanied by copies of grant agreements or other applicable agreements, if any;
 - 7. Schedule of debt service (principal and interest) for the budget year and next succeeding four years;
 - 8. Computation of an anticipated deficit or net income for the current year.
- (f) No authority budget shall be finally adopted until the Director shall have approved the same. Final budget adoption shall be by resolution passed by a majority of the full membership of the authority governing body.
- (g) The budget shall be adopted not later than the beginning of the authority's fiscal year, except that the governing body may adopt or amend the budget at any time after the Director shall have approved the same.
 - 1. Two certified copies of the budget as adopted, shall be transmitted to the Director within three days after adoption.
 - 2. One certified copy of the budget as adopted shall be transmitted to each local unit within three days after adoption.
- (h) Upon adoption, the budget shall constitute an appropriation for the purposes stated therein for the purposes of the authority.

Amended by R.1985 d.511, effective October 21, 1985.

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5:31-2.4 Budget introduction and adoption for fire and other special districts

- (a) The Board of Commissioners shall introduce its annual budget by resolution, passed by not less than a majority of the full membership.
- (b) The budget shall set forth all anticipated revenues and other financing sources of the district, including the following, where applicable:
 - 1. Surplus which shall not exceed the amount of the estimated fund balance held in cash or quick assets at the beginning of the budget year;
 - 2. Miscellaneous revenues which shall not be such amounts as may reasonably be expected to be realized in cash during the budget year from known and regular sources, or from sources reasonably capable of anticipating, including amounts expected to be received from municipalities appropriating money for district purposes, but not including revenues from taxes to be levied to support the district budget;
 - 3. Amount to be raised by taxation to support the district budget which shall be the amount to be certified to the assessor of the municipality to be assessed against the taxable property in the district. Such amount shall be equal to the amount of the total appropriations set forth in the budget minus the total amount of surplus (fund balance) and miscellaneous revenues set forth in the budget.
- (c) The budget shall set forth all of the appropriations of the district, including the following where applicable:
 - 1. For operating appropriations the following shall be included where applicable:
 - i Administration;
 - ii Operation and maintenance of each office or agency of the district;
 - iii Reimbursement to employees of a fire district and any volunteer firemen having membership in a volunteer fire company within the fire district for expenses and losses actually incurred in the performance of their duties;
 - iv Each paid position of a fire district, along with the compensation to be paid therefore;
 - v Amounts necessary to fund any deficit, or anticipated deficit, from the preceding budget year.

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2. Capital appropriations shall include the following:
 - i Amounts necessary in the current budget year to fund or meet obligations incurred for capital purposes, including principal and interest on bonds, itemized according to purpose.
 3. Total appropriations shall be the sum of items 1 and 2 above.
- (d) The total budget appropriations shall not exceed total anticipated revenues reasonably expected to be realized.
 - (e) The district shall transmit three certified copies of its budget to the Director at least 60 days prior to the annual election, together with all relevant information as prescribed in these regulations or as otherwise required by the Director.
 - (f) The following information and documentation shall accompany the budget:
 1. A computation of the estimated fund balance or deficit from the preceding fiscal year;
 2. Schedule of debt service (principal and interest) for the budget year and next succeeding four years;
 - (g) The budget and all relevant information shall be reviewed by the Director. If the Director finds that all requirements of law and the rules and regulations of the Local Finance Board have been met, he shall, within 21 days of his receipt of the budget, approve it; otherwise he shall within that time refuse to approve it. No district budget shall be adopted by the Commissioners until the Director shall have approved same, provided however that if the Director has not notified the Commissioners of his approval or refusal to approve the budget and the conditions on which his approval will be granted at the end of the 21 day period, the budget will be deemed to have been approved. Budget adoption shall be by resolution passed by a majority of the full membership of the commission.
 1. Two certified copies of the budget as adopted shall be transmitted to the Director within seven days after adoption.
 2. One certified copy of the budget as adopted shall be transmitted to the local unit within seven days after adoption.
 - (h) In the event that the adopted budget is rejected at the annual election of the district, the governing body of the local unit shall, within 30 days after the annual election prepare and adopt, by resolution passed by a majority vote of the full membership of the governing body of the local unit, the budget for the fiscal year of the district. The budget adopted by the governing body of the local unit shall be in the same line item and detail as that rejected at the annual election of the district.

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- (i) Within three days after its adoption the local unit shall transmit two certified copies of the budget, as adopted by the local unit, to the Director and one certified copy of the budget, as adopted by the local unit, to the commissioners of the district.
- (j) No district budget adopted by a local unit shall become effective prior to approval by the Director.
- (k) When the annual budget is approved at the annual election of the district or finally adopted by the local unit, as the case may be, it provides legal authorization for general fund spending. Adopted budgetary accounts shall be formally integrated in the general fund ledger.

Amended by R.1985 d.511, effective October 21, 1985.

5:31-2.5 Late approval of budget; temporary appropriations

- (a) The Director may approve any budget not filed with him within the time prescribed, provided a resolution of the authority setting forth the reasons for the delay, satisfactory to the Director, shall accompany the proposed budget.
- (b) All actions taken by the Director and authority, with respect to approval by the Director and adoption by the authority, shall be taken forthwith and as if the filing by the authority had occurred on time.
- (c) The governing body may and, if any contracts, commitments or payments are required to be made prior to the adoption of the budget, shall, by resolution adopted prior to the beginning of the fiscal year or within the first 30 days of the fiscal year make temporary appropriations to provide for the period between the beginning of the fiscal year and the adoption of the budget. The total appropriations made in accordance with the provision of this section shall not exceed the total of the appropriations made for all purposes in the budget for the preceding fiscal year.
- (d) Nothing contained in these regulations shall prevent or relieve the governing body from making appropriations for all interest and debt redemption charges maturing subsequent to the end of a fiscal year and prior to the date of adoption of the budget.
- (e) All resolutions referred to in this section shall be adopted by not less than a majority vote of the full membership of the governing body.

Amended by R.1985 d.511, effective October 21, 1985.

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5:31-2.6 Budget review by Director

- (a) Upon receipt of an introduced budget, the Director shall review the budget to determine the following:
 - 1. All estimates of revenue are reasonable, accurate and correctly stated;
 - 2. Items of appropriation are properly set forth;
 - 3. In itemization, form and content, the budget will permit the comptroller function within the authority;
 - 4. The schedule of rates, fees and charges then in effect will produce sufficient revenues, together with all other anticipated revenues, to satisfy all obligations to the holders of bonds of the authority, to meet operating expenses, capital outlays, debt service requirements and to provide for such reserves, all as may be required by law, regulations or terms of contracts or agreements.
- (b) The Director may require such documentation, records and other information, and undertake any audit or investigation, as he may deem necessary in connection with his review.
- (c) If the Director finds that all requirements of law and the rules and regulations of the Local Finance Board have been met, he shall, approve it; otherwise he shall refuse to approve it.
- (d) The Director in refusing to approve a budget:
 - 1. Shall not substitute his discretion with respect to the amount of an appropriation when that amount is not made mandatory by law or regulation.
 - 2. Shall notify the governing body of his reasons for refusing to approve and the conditions upon which approval will be granted.

Amended by R.1985 d.511, effective October 21, 1985.

5:31-2.7 Appeals

- (a) Any decision of the Director in the course of budget review, pursuant to these rules, may be appealed to the Local Finance Board in the manner generally provided by N.J.S.A. 52:27BB-15.
 - 1. The appellant must file the appeal application with the Director within 10 days of the Director's decision.

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2. The appellant must set forth in the application the reasons and basis for the appeal.
3. The appellant must submit all documentation required to substantiate the appeal.

5:31-2.8 Budget amendments

- (a) Amendments to the budget and capital budget are permitted as follows:
 1. Decrease in revenue with corresponding decrease in budgeted costs;
 2. Reclassification of budgeted amounts among expense categories;
 3. Increase in budgeted costs with corresponding increases in budgeted revenues;
 4. Decrease in specific capital project costs or elimination of previously identified projects;
 5. Deferral of capital projects funding to future years;
 6. Increase in capital project costs or additional projects with identification and timing of anticipated funding sources.
- (b) All amendments to the budget shall be approved and adopted by resolution of the authority, passed by not less than a majority of the full membership. The resolution shall set forth the reasons for the amendment.
- (c) Two certified copies of the amendment and all relevant resolutions shall be transmitted to the Director within three days after adoption. One certified copy of the amendment shall be transmitted to each local unit within three days after adoption.
- (d) No proposed budget or amendment thereto shall become effective prior to approval by the Director.